



TESTIMONY  
OF  
NATIONAL EMPLOYMENT LAW PROJECT

ON  
H.B. NO. 5069

AN ACT CONCERNING LOW WAGE EMPLOYERS

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FEBRUARY 18, 2014

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Good afternoon and thank you for the opportunity to testify today.

The National Employment Law Project is a non-profit, non-partisan research and advocacy organization specializing in employment policy. We are based in New York with offices across the country, and we partner with federal, state, and local lawmakers on a wide range of workforce issues.

Across the country, our staff are recognized as policy experts in areas such as unemployment insurance, wage and hour enforcement, and, as is relevant for today's hearing, the economic impact of low-wage jobs. We have worked with dozens of state legislatures across the country and with the U.S. Congress on measures to boost pay for low-wage workers.

NELP testifies today in support of H.B. No. 5069, which would require certain large employers to pay a quarterly fee to the Labor Commissioner for each employee that receives wages below the standard rate of covered wages predetermined by section 31-57f of the general statutes.

While the unemployment rate has declined in many states across the country, new job growth remains disproportionately concentrated in low-wage industries like retail and food services. In these industries, many of the largest companies – including profitable corporations like Walmart and McDonalds – have adopted a business model of low wages, limited hours, and nonexistent benefits that force a significant share of their workforce to rely on public assistance in order to afford the basics. As a result, the low-wage business model practiced by many of the largest and most profitable employers in the country not only leaves many working families unable to afford the basics, but also imposes significant costs on the public as a whole.

***Low Wages Force Connecticut's Workers to Rely on Public Assistance In Order to Afford Basic Necessities***

- Connecticut remains one of the highest-cost states in the country, making it nearly impossible for the lowest-paid workers in the state to support a family. For example, according to estimates from the Economic Policy Institute, an adult with one child living in the Hartford area would need to earn at least \$28.19 per hour, working full-time and year-round, just to afford food, housing, childcare, transportation, and other basic necessities.<sup>1</sup>
- Despite the high cost of living in the state, a substantial share of Connecticut's workforce earns wages that are far too low to support a family or even maintain basic economic security. According to data from the U.S. Census Bureau, approximately 25 percent of the state's workforce earns below \$12.73 per hour.<sup>2</sup>
- As low-paying industries like retail and fast-food continue to make up the bulk of recent job growth across the country, even more workers and their families will find themselves relying on low-paying jobs to make ends meet. Low-wage occupations have made up 58 percent of job growth in the post-recession recovery,<sup>3</sup> and the Bureau of

Labor Statistics estimates that low-wage jobs will make up 6 of the 10 occupations with the largest projected growth over the next decade.<sup>4</sup>

- When workers and their families do not earn enough to afford the basics, they often have no choice but to rely on public assistance in order to make ends meet. Nationally, nearly three quarters (73 percent) of enrollments in America's major public benefits programs are from working families.<sup>5</sup> With wages that leave their earnings below subsistence levels, these workers must rely on additional support from programs like the Supplemental Nutritional Assistance Program, Medicaid, Children's Health Insurance Programs, and the Earned Income Tax Credit in order to afford basics like food, housing, and health care.

***Large Companies Continue to Pay Low Wages in Connecticut, Even as Profits at Many of These Companies Have Grown Significantly in the Post-Recession Recovery***

- Over half of Connecticut's lowest-paid workers are employed in just two industries, retail (32 percent) and leisure and hospitality (20 percent).<sup>6</sup>
- Among retail employers, it is the large national chains that pay their employees the least: in Connecticut, large retailers – those with 500 employees or more – are responsible for more than 57 percent of retail employees, and on average, these businesses pay their employees 34 percent less than do small and mid-sized retail firms. Data from the 2007 Economic Census (the most recent available source for data) indicate that the average employee at a big retail establishment took home over \$11,000 less each year than her counterpart at a smaller store.
- At the same time, the largest low-wage employers in Connecticut and the U.S. have largely recovered from the recession and remain in strong financial condition today. A 2012 analysis from the National Employment Law Project found that 78 percent of the 50 largest low-wage employers have been profitable every year for the past three years, and 73 percent have higher profits now than before the recession.<sup>7</sup>

***Low Wages Paid By Large Profitable Employers Present a Significant Cost to the Public***

- Data available for some of the largest employers in the retail and fast-food industries indicate that the low wages paid by profitable companies like Walmart and McDonalds entail substantial costs for the public as a whole.
- A 2013 report from the Democratic Staff of the U.S. House Committee on Education and the Workforce estimates that low wages paid at a single Walmart supercenter cost taxpayers between \$900,000 and \$1.7 million on average per year.<sup>8</sup>

- Similarly, a 2013 study from the University of California-Berkeley found that the low-wages paid by companies in the fast-food industry cost taxpayers an average of \$7 billion per year.<sup>9</sup> A companion study from the National Employment Law Project found that the bulk of these costs stem from the 10 largest fast-food chains, which account for an estimated \$3.9 billion per year in public costs.<sup>10</sup>

***Higher Wages Are Consistent With a Profitable Business Model for Large Employers in Competitive Industries Like Retail and Fast-Food***

- There are significant savings that result from paying higher wages – including reduced employee turnover and increased productivity – and these savings help offset the cost to employers of raising wages. The increased efficiency and productivity gained by paying higher wages helps explain why many leading companies such as Costco and Trader Joe’s choose to invest in higher wages for their front-line employees as part of a highly competitive business strategy.
- For example, a Harvard Business Review study by MIT Professor Zeynep Ton shows that the starting wage for full-time employees at Trader Joe’s ranges between \$40,000 and \$60,000 per year, more than twice what many of its competitors offer, and yet the sales revenue per square foot at Trader Joe’s are three times higher than the average U.S. supermarket.<sup>11</sup>
- Costco CEO Craig Jelinek recently affirmed the significant business savings and efficiencies gained through higher wages, stating, “We pay a starting hourly wage of \$11.50 in all states where we do business, and we are still able to keep our overhead costs low. An important reason for the success of Costco’s business model is the attraction and retention of great employees. Instead of minimizing wages, we know it’s a lot more profitable in the long term to minimize employee turnover and maximize employee productivity, commitment and loyalty.”<sup>12</sup>
- A 2003 study by economists at the University of California-Berkeley examined the effects of a wage increase for workers at the San Francisco Airport, finding that annual turnover among security screeners plunged from 95 percent to 19 percent when their hourly wage rose from \$6.45 to \$10 per hour. After wages increased at the airport under a living wage policy, 35 percent of employers reported improvements in work performance, 47 percent reported better employee morale, 44 percent reported fewer disciplinary issues, and 45 percent reported that customer service had improved.<sup>13</sup>

Thank you so much for the opportunity to testify today. I’d be happy to answer any questions that you may have.

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For more about NELP, visit [www.nelp.org](http://www.nelp.org) or [www.raisetheminimumwage.org](http://www.raisetheminimumwage.org).*

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<sup>1</sup> <http://www.epi.org/resources/budget/>

<sup>2</sup> Occupational Employment Statistics, May 2012, Connecticut

<sup>3</sup> [http://www.nelp.org/page/-/Job\\_Creation/LowWageRecovery2012.pdf?nocdn=1](http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1)

<sup>4</sup> [http://www.bls.gov/emp/ep\\_table\\_104.htm](http://www.bls.gov/emp/ep_table_104.htm)

<sup>5</sup> [http://laborcenter.berkeley.edu/publiccosts/fast\\_food\\_poverty\\_wages.pdf](http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf)

<sup>6</sup> <http://www.ctvoices.org/sites/default/files/econ12raiseminwage.pdf>

<sup>7</sup> National Employment Law Project, "Big Business, Corporate Profits, and the Minimum Wage," Data Brief, July 2012. Available at: [http://nelp.3cdn.net/e555b2e361f8f734f4\\_sim6btdzo.pdf](http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf)

<sup>8</sup> <http://democrats.edworkforce.house.gov/sites/democrats.edworkforce.house.gov/files/documents/WalMartReport-May2013.pdf>

<sup>9</sup> [http://laborcenter.berkeley.edu/publiccosts/fast\\_food\\_poverty\\_wages.pdf](http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf)

<sup>10</sup> <http://www.nelp.org/page/-/rtmw/uploads/NELP-Super-Sizing-Public-Costs-Fast-Food-Report.pdf>

<sup>11</sup> Zeynep Ton, "Why Good Jobs are Good for Retailers," Harvard Business Review, January 2012, available at <http://hbr.org/2012/01/why-good-jobs-are-good-for-retailers/ar/1>

<sup>12</sup> See <http://www.businessforafairminimumwage.org/news/00272/costco-eileen-fisher-and-small-business-owners-nationwide-support-fair-minimum-wage-act-i>

<sup>13</sup> Michael Reich, Peter Hall, Ken Jacobs, "Living Wages and Economic Performance," Institute of Industrial Relations, March 2003, available at [http://www.irle.berkeley.edu/research/livingwage/sfo\\_mar03.pdf](http://www.irle.berkeley.edu/research/livingwage/sfo_mar03.pdf)